



General Assembly

January Session, 2007

***Raised Bill No. 1039***

LCO No. 3504

\*03504\_\_\_\_\_BA\_\*

Referred to Committee on Banks

Introduced by:  
(BA)

***AN ACT REGULATING THE MAKING AND COLLECTION OF PAYDAY  
LOANS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-555 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2007*):

3 No person shall engage in the business of making loans of money or  
4 credit in the amount or to the value of fifteen thousand dollars or less  
5 for loans made under section 36a-563 or section 36a-565, and charge,  
6 contract for or receive a greater rate of interest, charge or consideration  
7 than twelve per cent per annum therefor, unless licensed to do so by  
8 the commissioner pursuant to sections 36a-555 to 36a-573, inclusive.  
9 The provisions of this section shall not apply to (1) a bank, (2) an out-  
10 of-state bank, (3) a Connecticut credit union, (4) a federal credit union,  
11 (5) an out-of-state credit union, (6) a savings and loan association  
12 wholly owned subsidiary service corporation, (7) a person to the extent  
13 that such person makes loans for agricultural, commercial, industrial  
14 or governmental use or extends credit through an open-end credit  
15 plan, as defined in subdivision (8) of section 36a-676, for the retail  
16 purchase of consumer goods or services, (8) a mortgage lender licensed

17 pursuant to sections 36a-485 to 36a-498a, inclusive, when making first  
 18 mortgage loans, as defined in section 36a-485, (9) a mortgage lender  
 19 licensed pursuant to sections 36a-510 to 36a-524, inclusive, when  
 20 making secondary mortgage loans, as defined in section 36a-510, or  
 21 (10) a licensed pawnbroker. The provisions of this section shall apply  
 22 to any person who makes a payday loan. For the purposes of this  
 23 section, "payday loan" means an unsecured, short-term cash advance  
 24 (A) made to a borrower until the next payday of such borrower, (B)  
 25 with an interest rate exceeding thirty-six per cent per annum, and (C)  
 26 made in accordance with a loan agreement that provides that the  
 27 borrower writes a postdated check to the lender, authorizes the lender  
 28 to debit the borrower's account or executes a wage assignment.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	October 1, 2007	36a-555
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***Statement of Purpose:***

To specifically include payday lenders within the purview of the statutory provisions regulating small loan lenders in order to protect consumers from the predatory terms and tactics employed in the making and collection of payday loan. Payday lenders typically charge consumers effective interest rates exceeding four hundred per cent per annum for the loan.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*